

Message Text

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FM SECSTATE WASHDC
TO AMEMBASSY BONN
AMEMBASSY LISBON
INFO AMEMBASSY PARIS
AMCONSUL MUNICH

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E.O. 11652: N/A

TAGS: EFIN, PO

SUBJECT: FINANCIAL ASSISTANCE FOR PORTUGAL

REF: STATE 127729

PARIS FOR TREASURY ATTACHE DYCHE; MUNICH FOR DEPUTY
ASSISTANT SECRETARY BARBOUR ARRIVING 6/20

1. AS OF NOW SEVEN COUNTRIES APPEAR QUITE FIRM IN
THEIR INTENT TO PROVIDE BALANCE OF PAYMENTS
ASSISTANCE TO PORTUGAL (THE US, THE FRG, SWITZERLAND,
JAPAN, FRANCE, ITALY, AND NORWAY, ALTHOUGH WE STILL
HAVE A TECHNIQUE PROBLEM WITH JAPAN). THREE OTHERS
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(UK, VENEZUELA, AND AUSTRIA APPEAR CLOSE TO
POSITIVE DECISIONS ON PARTICIPATION. FOUR OTHER
COUNTRIES (SWEDEN, NETHERLANDS, CANADA AND BELGIUM)
APPEAR FAVORABLY DISPOSED BUT ARE HAVING DIFFICULTIES
DECIDING UPON AN AMOUNT AND/OR MECHANISM FOR A NATIONAL
LOAN. OUR JUDGEMENT IS THAT WE ARE VERY CLOSE TO A
CONTRIBUTION TOTAL OF 700-800 MILLION DOLLARS AND

PARTICIPATION BY A TOTAL OF AT LEAST 12 COUNTRIES.
WE FACE, HOWEVER, THE TASK OF POLITICALLY AND PUBLICALLY
CAPPING THE OUTCOME OF THE JUNE 22 MEETING IN A WAY
WHICH ON ONE HAND EXPRESSES THE HIGHEST LEVEL OF GENERAL

AGREEMENT FOR THE VAST MAJORITY OF PARTICIPANTS AND ON
THE OTHER HAND RATIFIES THE EXPECTATIONS IN
PORTUGAL AND DONOR COUNTRIES OF A SUCCESSFUL CON-
CLUSION OF THE EFFORT TO RAISE BALANCE OF PAYMENT
SUPPORT FOR PORTUGAL. CLEARLY A STATEMENT WILL NEED
TO BE MADE TO THE PRESS AFTER THE JUNE 22 MEETING AND
FAILURE TO DO SO WOULD FUEL UNHELPFUL AND INACCURATE
PRESS SPECULATION, ESPECIALLY IN PORTUGAL.

2. WE THEREFORE SUGGEST THAT THE US CHAIRMAN, WITH
HELP FROM THE GERMANS AND PORTUGUESE, SHOULD AIM AT THE
JUNE 22 MEETING FOR AGREEMENT TO BRIEF THE PRESS ON
THE BASIS OF THE FOLLOWING KEY POINTS.

A) REPRESENTATIVES FROM 14 COUNTRIES PARTICIPATED IN
A JUNE 22 MEETING TO FINALIZE A COLLABORATIVE EFFORT
TO PROVIDE A BALANCE OF PAYMENT ASSISTANCE TO PORTUGAL.

B) ALL RECOGNIZED THE IMPORTANCE OF SUCH ASSISTANCE
FOR THE FUTURE PROGRESS OF PORTUGUESE DEMOCRACY. ALL
(OR 12 OR 13 NAMED COUNTRIES) INTEND TO PARTICIPATE
IN A COLLABORATIVE EFFORT TO PROVIDE BALANCE OF
PAYMENT ASSISTANCE TO PORTUGAL OVER THE NEXT 18 MONTHS.

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C) IT IS ANTICIPATED THAT THE TOTAL OF SUCH ASSISTANCE
WOULD BE BETWEEN 700-800 MILLION DOLLARS.

D) THE PORTUGUESE GOVERNMENT FOR ITS PART HAS AGREED
TO FURTHER DEMAND AND IMPLEMENT DURING THIS
PERIOD A WELL DESIGNED ECONOMIC STABILIZATION
PROGRAM IN COLLABORATION WITH THE IMF.

E) BEGINNING IN 1979 IT IS EXPECTED THAT PORTUGAL
WILL BE ABLE TO MEET BALANCE OF PAYMENTS NEEDS
THROUGH OTHER SOURCES, INCLUDING THE IMF.

3. SUCH A STATEMENT WOULD REPRESENT A VERY POSITIVE
OUTCOME FOR THE JUNE 22 MEETING. BY NOT SPECIFYING
THE AMOUNT OF NATIONAL CONTRIBUTIONS IT WOULD ALSO
HOPEFULLY DRAW IN ALL COUNTRIES WHICH HAVE MADE A
GENERAL POLITICAL DECISION TO PARTICIPATE--EVEN IF THE
AMOUNT AND MODE OF CONTRIBUTION IS UNSETTLED. SINCE
THE AMOUNT OF THE LARGEST 5 OR 6 CONTRIBUTIONS WILL BE

DECIDED BY THE JUNE 22 MEETING, WE SEE LITTLE RISK
THAT THIS APPROACH WOULD RESULT IN ANY SCALING
DOWN OF YET UNSETTLED CONTRIBUTIONS. WE THINK THIS

FORMULATION COULD BE USEFUL IN DRAWING THE FEW
REMAINING LAGGARDS INTO A BASIC POLITICAL COMMITMENT
TO PROVIDE BALANCE OF PAYMENT ASSISTANCE TO PORTUGAL.
WE WOULD NOT ANTICIPATE A WRITTEN DECLARATION SINCE
THIS COULD 1) LEAD TO WRANGLING OVER WORDS AND 2)
HIGHLIGHT PROBABLE DANISH AND IRISH INABILITY
TO PROVIDE FINANCE.

ACTION ADDRESSEES ARE REQUESTED TO INFORM HOST
GOVERNMENTS OF OUTLINES OF OUR PROPOSED PRESS BRIEF
AND INVITE THEIR COMMENTS. THEY SHOULD BE AWARE THAT WE
DO NOT PLAN TO PROVIDE THIS TO OTHERS BEFORE JUNE 22 IN
ORDER TO LET INTERNAL PROCESSEES OF OTHER GOVERNMENTS
GO AS FAR AS POSSIBLE PRIOR TO JUNE 22 SESSION.
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4. WE WOULD LIKE TO MEET WITH THE PORTUGUESE AND
FRG REPRESENTATIVES IN PARIS PRIOR TO THE GROUP
MEETING TO DISCUSS THE SCENARIO FOR THE AFTERNOON
MEETING. WE WOULD THEREFORE LIKE TO INVITE THE
HEADS OF THESE 2 DELEGATIONS AND 1 COLLEAGUE TO A
LUNCHEON AT 12:30 PM ON JUNE 22. US TREASURY
ATTACHE IN PARIS (TEL. 265-6440) WILL HAVE DETAILS
ON WHERE LUNCH IS BEING HELD. WE ARE CONSIDERING
INCLUDING JAPAN AND 1 OR 2 OTHER SIGNIFICANT
CONTRIBUTING COUNTRIES IN PROPOSED LUNCHEON SESSION
JUNE 22. VANCE

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Sent Date: 18-Jun-1977 12:00:00 am
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Disposition Action: RELEASED
Disposition Approved on Date:
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Disposition Date: 22 May 2009
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Disposition History: n/a
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Expiration:
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Format: TEL
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Handling Restrictions: n/a
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